SLEEPY CLASSES

Sleepy Classes IAS
Awakening Toppers

UPSC EPFO · ASSISTANT PROVIDENT FUND COMMISSIONER

APFC Combined Revision Notes

A consolidated revision companion with references to previous year questions

- A Accounting
- B Auditing
- C Industrial Relations and Labour Codes
- D Social Security, Pension Schemes and OSH Code

Previous Year Questions mapped · 2012 · 2015 · 2023 · 2025

OCTOBER 2026 EDITION

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APFC Combined Revision Notes

Accounting · Auditing · Industrial Relations and Labour Codes · Social Security, Pension Schemes and OSH Code

◆

For the UPSC EPFO Assistant Provident Fund Commissioner examination

October 2026 Edition

Compiled by Sleepy Classes

The legal position is stated as on October 2026. All four Labour Codes came into force on 21 November 2025; the earlier Acts are retained for examination purposes.

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PREFACE

How to Use This Book

These notes cover the topics behind **78 of the 94** Accounts, Auditing, IR/Labour and Social Security questions in the APFC 2012, 2015, 2023 and 2025 papers (about 83%).

- A tag like PYQ 2015 next to a topic means a question on that topic was asked in that year's APFC paper.
- More than one year in a tag (e.g. PYQ 2023, 2025) means the topic was asked in each of those years. Revise these first.
- The four subjects are arranged as Parts A to D. Each Part opens with a table of thirty essential points, followed by chapter notes and a review of commonly confused concepts. The Appendix maps every matched question to the relevant section of this book.

Paper	Questions from these four subjects	Covered in this book	Recurring topics
APFC 2012	12	11	Labour commissions, EPF, EC Act, gratuity, ESI
APFC 2015	13	6	FIFO, Giri approach, maternity, ESI, APY
APFC 2023	35	33	Errors, AS-1 assumptions, TU Act, EC Act, EPF, ESI
APFC 2025	34	28	Wages Act, EC Act, maternity, errors, provisions, vouching
Total	**94**	**78**	

PART A

Accounting

- Introduction to Accounting
- Accounting Principles and Concepts
- Journal and Ledger
- Cash Book and Subsidiary Books
- Trial Balance and Rectification of Errors
- Final Accounts and Adjustments
- Financial Statements and the Income Statement
- Balance Sheet and Shareholders' Equity
- Cash Flow Statement (AS-3)
- Accounting Ratios
- Valuation of Inventories (AS-2)
- Depreciation
- Provisions and Reserves
- Company Accounting: Shares and Debentures
- Inventory Cost and Valuation Methods
- Partnership Accounting (Indian Partnership Act, 1932)
- Companies Act, 2013 Key Provisions
- Bills of Exchange and Promissory Notes
- Bank Reconciliation Statement (BRS)
- Standards, Bodies and Additional Points
- Commonly Confused Concepts

PART A

Introduction

This Part condenses the Sleepy Classes Financial Accounting notes (Parts 1–4, seventeen chapters), the L-1 to L-5 class slides and the accompanying handwritten notes into a form suited to rapid revision. The tables are designed for active recall: cover the right-hand column, reproduce it from memory, and then verify.

◆ Thirty Essential Facts

#	Fact	Answer
1	First / last step of accounting	Identifying / Communicating
2	Fundamental accounting assumptions	Going concern, Consistency, Accrual PYQ 2023, 2025
3	Revaluing asset to market violates	Cost concept
4	Anticipate losses, not profits	Conservatism (prudence) PYQ 2023, 2025
5	Book of original entry / principal book	Journal / Ledger PYQ 2025
6	Personal / Real / Nominal rule	Receiver–giver / comes in–goes out / expenses–incomes
7	Contra entry marked	"C" in L.F.; not posted
8	Purchases Book records only	Credit purchases of goods
9	Errors that do not affect the trial balance	Principle, complete omission, compensating PYQ 2023
10	One-sided errors corrected through	Suspense Account PYQ 2025
11	Closing stock appears in	Trading A/c and Balance Sheet
12	Carriage outwards	Indirect expense (P&L)
13	Books of account kept for	8 years (Sec 128)
14	Bank balance sheet / P&L schedules	12 / 4 (Form A; Sec 29 BR Act)
15	Bank statutory reserve	25% of net profit
16	Subscription below 90%	Refund within 4 days
17	Bonus shares funded from (Sec 63)	Free reserves, securities premium, CRR — not revaluation
18	Buyback limit (Sec 68)	25% of paid-up + free reserves; Board up to 10%
19	After buyback transfer to	Capital Redemption Reserve (Sec 69)
20	Interest/dividend received / paid (cash flow)	Investing / Financing
21	Ideal current / quick / cash ratio	2:1 / 1:1 / 0.5:1
22	DuPont ROE	Margin × Asset turnover × Leverage
23	Inventory valued at	Lower of cost and NRV, item by item

#	Fact	Answer
24	Cost formulas under AS-2	FIFO or weighted average (no LIFO) PYQ 2015, 2023
25	IT Act depreciation rates	Furniture 10%, P&M 15%, computers 40%, building 5%
26	Residual value cap (Schedule II)	5% of cost
27	Securities premium uses (Sec 52)	Bonus, preliminary exp., issue discount/commission, redemption premium, buyback
28	Interest on partner's loan (no deed)	6% p.a.
29	CSR (Sec 135)	₹500 cr NW / ₹1,000 cr turnover / ₹5 cr profit; 2% of 3-yr average
30	Days of grace on a time bill	3 days (none for demand bill)

CHAPTER 1

Introduction to Accounting

Accounting = identifying, measuring, recording and communicating information about **economic events** of an **organisation** to **interested users**. Called the "language of business".

- **Economic event** = measurable in money. A strike is not; salary paid is.
- Internal event = within departments (stores → production, wages). External = with outsiders (sales, purchases, rent).
- Process order: Identify → Measure → Record (chronological) → Communicate. **First step = identifying; last = communicating.**
- Not recorded: human resources value, staff appointment, policy change, holiday calendar.

Internal users	External users
Managers, officers, internal auditors, sales staff, employees, owners	Lenders, investors, government, consumer groups, external auditors, customers

◆ Branches

Branch	Serves	Key feature
Financial	Shareholders, outsiders	Income Statement, Balance Sheet, Cash Flow; most important
Cost	Internal management	Cost of product → selling price
Management	Internal management	Budgeting, pricing, capex, forecasting, manpower

◆ Qualitative characteristics (6)

Reliability · Relevance · Understandability · Comparability · Consistency · Verifiability. ("Responsibility" is NOT one.)

- Clear presentation → **understandability**. Common unit + common format → **comparability**.
- Reliability = free from error and bias; relevance = timely, predictive and feedback value.

◆ Objectives

Keep records · find profit or loss · show financial position · give information to users. Owner's son's fees paid from the **personal** account is not a business transaction.

Basic terms

- **Fixed assets**: life over 1 year. **Current assets**: convertible to cash within 1 year (cash, stock, short deposits).
- **Current liabilities**: payable within 1 year; **non-current**: after 1 year.
- **Capital** shown on the liabilities side (business owes the owner).
- **Creditors** = we owe them (liabilities side); **Debtors** = they owe us (assets side).



CHAPTER 2

Accounting Principles and Concepts

Also called concepts, conventions or postulates; together = **GAAP**. Accounting Standards in India are issued by **ICAI**.

Concept	One-line meaning	Exam trigger
Entity	Business separate from owner	Capital = liability; drawings reduce capital
Money measurement	Only money-measurable events	CEO's morale-boosting talk not recorded
Periodicity (accounting period)	Life split into intervals	Annual (Companies Act, IT Act); quarterly for listed (SEBI)
Revenue recognition (realisation)	Revenue when right to receive arises	Credit sale recorded on sale date
Accrual	Revenue when realised, expense when incurred	Revenue recognition is a subset of accrual
Matching	Expenses matched with revenues of same period	Cost of goods **sold**, not bought
Going concern	Business continues indefinitely	Basis of depreciation over useful life PYQ 2023
Cost	Assets at purchase price + transport + installation	Rise in value = hidden profit; revaluing to market violates it
Dual aspect	Every transaction has two effects	A = L + C; basis of double entry
Full disclosure	All material facts in statements and notes	Expected lawsuit loss disclosed
Consistency	Same methods every year	Same depreciation method (e.g. WDV)
Conservatism (prudence)	Anticipate losses, not profits	Lower of cost or market; understates assets PYQ 2023, 2025
Materiality	Only significant items	Depends on nature and amount PYQ 2023
Objectivity	Backed by verifiable documents	Invoice, receipt, challan

Exceptions to revenue recognition: long-term contracts (proportion completed: 10% of ₹20 lakh dam = ₹2 lakh) and instalment sales (each instalment).

Fundamental accounting assumptions (3): **Going concern, Consistency, Accrual** – always assumed. Business entity is NOT one of them. PYQ 2023, 2025

◆ Illustrations from Past Questions

- Valuing machinery at market ₹12 lakh instead of cost → violates **cost** concept.
- Closing stock at cost when market is lower → violates **conservatism**.
- Sold 4/5 of goods, profit on cost of goods sold → **matching**.

- Expenses of a period determined by → **matching**.
- Buying machinery for cash → total assets **unchanged**.
- Capital introduced → assets up and liabilities up.
- Car ₹5 lakh, ₹1 lakh paid, bill ₹4 lakh → assets and liabilities both up ₹4 lakh.

CHAPTER 3

Journal and Ledger

Accounting equation: Assets = Liabilities + Capital (Balance Sheet Equation). So **Capital = Assets – Liabilities**. Source document = voucher (cash memo, invoice, pay-in slip, cheque, salary slip).

◆ Modern Rules of Debit and Credit

Account type	Increase	Decrease
Asset	Debit	Credit
Expense / Loss	Debit	Credit
Liability	Credit	Debit
Capital	Credit	Debit
Revenue / Gain	Credit	Debit

◆ Golden (traditional) rules

Account	Covers	Rule
Personal	Persons, firms, companies, capital	Debit the **receiver**, credit the **giver** PYQ 2025
Real	Assets (cash, building, goodwill)	Debit what **comes in**, credit what **goes out** PYQ 2023
Nominal	Expenses, losses, incomes, gains	Debit **expenses/losses**, credit **incomes/gains**

Goods bought for cash → Purchases (nominal, debit expense) + Cash (real, credit what goes out). Bank A/c is treated as **personal**, so "Bank is not a real account".

◆ Journal vs Ledger

Journal	Ledger
Book of original (first) entry	Principal book / book of second entry PYQ 2025
Chronological	Account-wise
Recording = **journalising**	Transfer = **posting**
More weight as legal evidence	Tax authorities rely on it
L.F. column = ledger page number	J.F. column = journal page

- Debit account written first with "Dr."; credit account indented with "To"; then narration.
- **Simple entry** = 2 accounts; **compound** = more than 2.
- c/f = carried forward (foot of page); b/f = brought forward.

- **Permanent accounts** (assets, liabilities, capital) are balanced and carried forward. **Temporary** (revenue, expense) are closed to Trading/P&L.
- No mode of payment given → assume **cash**. Goods given as charity → Charity Dr, To Purchases. Owner's withdrawal → Drawings Dr, To Cash.
- Settlement for less than due → difference is **Discount Allowed** (by us) / **Discount Received**. PYQ 2015